

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In Re: W.R. GRACE & CO., et al., Debtors.	§ § § § § §	Chapter 11 Jointly Administered Case No. 01-01139 (JKF)
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**FEE AUDITOR'S FINAL REPORT REGARDING
FEE APPLICATION OF KLETT ROONEY LIEBER & SCHORLING
FOR THE SEVENTH INTERIM PERIOD**

This is the final report of Warren H. Smith & Associates, P.C. ("Smith"), acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding the Seventh Interim Quarterly Fee Application of Klett Rooney Lieber & Schorling (the "Application").

BACKGROUND

1. Klett Rooney Lieber & Schorling ("Klett Rooney") was retained as co-counsel to the official committee of equity holders. In the Application, Klett Rooney seeks approval of fees totaling \$25,908.00 and costs totaling \$1,934.35 for its services from October 1, 2002 through December 31, 2002.

2. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Application in its entirety, including each of the time entries included in the exhibits to the Application, for compliance with 11 U.S.C. § 330, Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, Amended Effective February 1, 2001, and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. 330, Issued January 30,

1996, (the "Guidelines"), as well as for consistency with precedent established in the United States Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware, and the Third Circuit Court of Appeals. We served on Klett Rooney an initial report based on our review and received a response from Klett Rooney, portions of which are quoted herein.

DISCUSSION

General Issues

3. In our initial report, we noted that during this interim, Klett Rooney spent 31.4 hours and billed \$5,196.00 to prepare its own fee applications. This represents 20% of the total fees billed for the period, and we note that this percentage is far above the norm. Further, Klett Rooney billed \$3,403.00 for preparing another firm's fee applications. In toto, the billing for preparation of fee applications amounted to \$8,599.00 and comprised over 33% of the total fees requested. This issue had been raised in a previous report. We asked Klett Rooney to explain why these tasks took so much time. The firm's response is provided below.

In your report, you note that Klett Rooney spent 31 hours in fee preparation time over the 3-month span, and that such time accounted for roughly 20 percent of the fees sought to be allowed. As we have discussed in prior responses, Klett Rooney acts as Delaware counsel to the Equity Committee, and in such role prepares not only its own fee applications, notices, and interim requests, but also the notices and interim requests for its co-counsel Kramer Levin. In addition, 31 hours for this array of fee application tasks, spread over three months, is respectfully not significant or objectionable, in our view. Finally, because the Equity Committee has not taken a significant drafting or objecting role in any major case issues during this time span, we necessarily did not spend any notable time on other activities (except for occasional committee meetings) that would have diluted our percentage of fee application time. Said another way,

Klett Rooney believes that it should not be penalized for having a higher percentage of fee preparation time when it has been careful to minimize its fees in other areas, only billing when required by an issue.

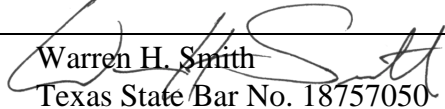
We appreciate the response.

CONCLUSION

4. Thus, we recommend approval of fees totaling \$25,908.00 and costs totaling \$1,934.35 for Klett Rooney's services from October 1, 2002, through December 31, 2002.

Respectfully submitted,

WARREN H. SMITH & ASSOCIATES, P.C.


By: 
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FEE AUDITOR

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served First Class United States mail to the attached service list on this 8th day of April 2003.

 Warren H. Smith

SERVICE LIST

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